



Hill Incorporated Releases Q2 FY 2025 Results: Continues To Improve Net Loss

Highlights for the Quarter

- *DehydraTECH licensing revenues increased in Q2 FY 2025 vs. same quarter year ago on an adjusted basis (after adjusting down last year's revenues for amounts subsequently written off at the close of FY2024), although they declined on an accounting basis (unadjusted for last year's revenues ultimately written off). Fiscal year-to-date licensing revenues also increased on an adjusted basis but declined on an accounting basis.*
- *Vin(Zero) alcohol-free wine business had a strong quarter, even though the timing of the inventory replenishment cycle and corresponding sales resulted in a lower net revenue vs. Q2 FY 2024. Net revenue on this business is up a strong 20% for the six-month fiscal year-to-date vs. the same period year ago.*
- *Strong Q2 FY 2025 consolidated net revenue was the highest in a year but was below Q2 FY 2024, due to the quarterly inventory and revenue cycle timing on the Vin(Zero) business along with the unadjusted DehydraTECH licensing revenue comparison.*
- *Despite net revenue and gross profit declines vs. prior year on an accounting basis, the continued focus on managing costs enabled Hill to continue narrowing the net loss in the quarter, with a 44% improvement over the year ago period.*

Toronto, ON. — March 3, 2024 — Hill Incorporated, formerly Hill Street Beverage Company Inc. (TSXV: HILL) ("Hill" or the "Company"), announces today that it has released its financial results for the three-month period ended December 31, 2024 ("Q2 FY 2025"), which can be found at www.sedarplus.com. The progressive bioscience implementation company is dedicated to building pathways to better and healthier living by leveraging deep CPG expertise to commercialize leading-edge technologies, crafting superior cannabis solutions and non-alcoholic beverage products globally. The financial information summarized in this press release is based on audited data for FY2024.

DehydraTECH licensing revenues increased in Q2 FY 2025 vs. same quarter year ago on an adjusted basis (after adjusting down last year's revenues for amounts subsequently written off at the close of FY2024), although they declined on an accounting basis (unadjusted for last year's revenues ultimately written off). Fiscal year-to-date licensing revenues also increased on an adjusted basis but declined on an accounting basis.

DehydraTECH licensing revenues continue to be fueled by legacy licensee 1906 as well as the more recent sublicensees brought on through Hill partner Dehydr8, LLC. However, because Hill wrote down revenue from 1906 at the close of FY 2024 (which included some Q2 revenue), comparisons are made of Q2 2025 results to the same quarter prior year (which are pre-write-off) as well as on an adjusted basis (adjusting for the write-offs) to provide the most accurate view of the trends.

The US cannabis industry continues to face a market environment of significant price reductions and margin compression, along with extended accounts receivable and delays in cash receipt. The impacts to

Hill's DehydraTECH licensing business from these industry-wide challenges are mainly that licensing fee rates have been compressed within our ecosystem of sublicensing partners and our accounts receivable of licensing fees from our licensee partners are affected by collection delays downstream.

Dehydr8, which now has DehydraTECH licensing rights in all US states, continues to focus on the rollouts and expansion of its base of DehydraTECH customers, while facing this very challenging cannabis market environment, price and margin compressions, and extended accounts receivable.

Key DehydraTECH customers of Dehydr8's in the US include MariMed, Greenlight Dispensary and Drecisco Farms.

- Major multi-state operator MariMed Inc. has brands powered by DehydraTECH in Massachusetts, Maryland, Missouri, Delaware and Illinois. More information on MariMed's brands can be found at [MariMed Brands](#).
- Multi-state operator [Greenlight Dispensary](#) is one of the leading cannabis brands in the United States, with operations in Missouri, Arkansas, West Virginia, Illinois and South Dakota, and now has brands powered by DehydraTECH in Missouri.
- Drecisco Farms sells their '[Sweet Buzz](#)' DehydraTECH-powered cannabis edibles products in Illinois.

Vin(Zero) alcohol-free wine business had a strong quarter, even though the timing of the inventory replenishment cycle and corresponding sales resulted in a lower net revenue vs. Q2 FY 2024. Net revenue on this business is up a strong 20% for the six-month fiscal year-to-date vs. the same period year ago.

As communicated, we have fundamentally transformed our Vin(Zero) business model over the past two years, with major adjustments across all the key areas of production planning, shipping and logistics, warehousing, sales and retail distribution. The new streamlined commercial model creates a new and different cadence to the business, where dramatic quarter-to-quarter swings on the recognized revenues are planned based on inventory efficiencies and the timing of direct inventory arrivals to our distributor.

Following a strong level of inventory replenishment and revenue in Q1 FY 2025, our planned ordering and inventory management cycle resulted in less revenue for Q2 FY 2025 compared to a very high Q2 FY 2024. Net revenue for the six-month period ending December 31, 2024 is up a strong 20% vs. year ago. Case depletions, which represent the shipment figures from our distributor to retailers, are up 3% for the fiscal year-to-date.

Strong Q2 FY 2025 consolidated net revenue was the highest in a year but was below Q2 FY 2024, due to the quarterly inventory and revenue cycle timing on the Vin(Zero) business along with the unadjusted DehydraTECH licensing revenue comparison.

Consolidated net revenues, as reported on an accounting basis, were a strong \$661,123, which was down 33% for Q2 and down 2% for the full six-month fiscal year-to-date on an accounting basis. On an adjusted basis net revenues were down 18% for Q2 and up 37% for the six-month period, after adjusting down portions of last year's DehydraTECH revenues subsequently written off at the close of FY 2024.

Despite net revenue and gross profit declines vs. prior year on an accounting basis, the continued focus on managing costs enabled Hill to continue narrowing the net loss in the quarter, with a 44% improvement over the year ago period.

The 44% improvement for Q2 drove a year-to-date improvement of 34% for the first six months of the fiscal year.

About Hill Incorporated (TSXV: HILL)

Hill Incorporated is a progressive bioscience implementation company that is dedicated to building pathways to better and healthier living by leveraging our deep CPG expertise to commercialize leading-edge technologies to craft superior cannabis solutions and non-alcoholic beverage products globally. Our Hill Avenue Cannabis business unit is pioneering the space where craft consumer products meet bioscience by combining our deep CPG commercialization expertise with our rights to use Lexaria Bioscience Corp's ground-breaking DehydraTECH patent portfolio for product development, licensing and B2B and B2C sales of cannabis ingredients or products on a global scale. Our Hill Street Beverages business unit represents the Company's legacy alcohol-free consumer beverage marketing and distribution business.

For more information on our business activities visit www.hillincorporated.com, to learn more about our DehydraTECH cannabis biodelivery technology, go to www.dehydratech-thc.com, or to check out Hill Street Beverage's award-winning alcohol-free wine line-up and order product to be delivered straight to your home, go to www.hillstreetbeverages.com.

If you wish to sign up for the Hill Incorporated mailing list, click [HERE](#).

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Statements in this press release may contain forward-looking information. Any statements in this press release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often identified by terms such as "may", "should", "would", "anticipate", "expects", and similar expressions. The reader is cautioned that assumptions used in the preparation of any forward-looking information may prove to be incorrect. Events or circumstances, such as future availability of capital on favourable terms, may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. The reader is cautioned not to place undue reliance on any forward-looking information. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement. The forward-looking statements contained in this press release are made as of the

date of this press release. The Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

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